

Message Text

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ACTION EUR-12

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SS-15 USIA-06 CAB-02 COME-00 DOTE-00 EB-07 EPG-02
FAA-00 AF-10 DHA-02 LAB-04 SIL-01 OMB-01 TRSE-00
/094 W

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R 051239Z JUL 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5783
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AHUDKSNQ/AMEMBASSY OSLO 3001
ATKEMBAFWY ROME 0965
AMEMBASSY STOCKHOLM
USMISSION NATO
AMEMBASSY ANKARA
AMEMBASSY ALUENS
AMEMBASSY CANBERRA
AMEMBASSY LISBON
AMEMBASSY MADRID
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USOECN ALSO FOR EMBASSY

E.O. 11652: GDS
TAGS: PGOV PINT ELAB EGEN UK
SUBJECT: JUNE: STORM CLOUDS GATHER, THEN SCATTER

REF: LONDON 9221

SUMMARY: THE SKIES OF JUNN WERE OVERCAST STORM CLOUDS BUILT UP, THREATENED A DOWNPOUR, BROKE UP TO LET SOME SUN THROUGH, BUT LINGERED ON. REFUSING TO PANIC, THE GOVERNMENT STAYED RELATIVELY DRY AND READY FOR FURTHER INCLEMENCIES. END SUMMARY.

1. JUNE IN BRITAIN TRADITIONALLY MEANS FUNNY HATS AND FAST HORSES AT ASCOT, STRAWBERRIES AND UPSETS AT WIMBLEDON, CRICKET AND TEA ON THE LAWN, BOATS AND BOATERS AT HENLEY. IN 1977, JUNE INCLUDED SPECIAL JUBILEE CELEBRATIONS, AN EXTENDED PARLIAMENTARY RECESS, AND MEETINGS OF COMMONWEALTH AND EC HEADS OF STATES. STORM CLOUDS THREATENED TO OPEN UP IN JUNE, BROKE AND SCATTERED BUT DIDN'T ENTIRELY DISAPPEAR. ANTICIPATION THAT THE JUBILEE WOULD BE THE YEAR'S MAJOR NON-EVENT WAS DISPROVED BY MASSIVE TURNOUTS OF THE POPULACE AND RENEWED RECOGNITION OF THE REVERED POSITION OF THE CROWN. AMID MUCH APPREHENSION THAT HE MIGHT COME, AMIN FINALLY DIDN'T AND THE COMMONWEALTH CONFERENCE WAS ABLE TO DIRECT ITS ENERGIES AND ATTENTION TO A THOROUGH DISCUSSION OF THE PROBLEMS IN SOUTHERN AFRICA AND AN EXPRESSION OF DISAPPOINTMENT ABOUT THE "INADEQUACY" OF THE MEASURES AGREED ON AT THE CIEC CONFERENCE.

2. PROLONGED US-UK NEGOTIATIONS WHICH THREATENED
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SUSPENSION OF TRANSATLANTIC AIR SERVICES ENDED WITH LAST-MINUTE AGREEMENT. WHILE THE AGREEMENT INVOLVES COMPROMISES BY BOTH US AND UK, PRESIDENT CARTER WELCOMED IT AS ENSURING "THAT INTERNATIONAL AIR SERVICES BETWEEN BRITAIN AND THE UNITED STATES WILL CONTINUE TO FUNCTION IN AN ATMOSPHERE OF HEALTHY COMPETITION."

3. THE CONTROVERSIAL, FOR LABOR, DIRECT ELECTION ISSUE WAS APPARENTLY RESOLVED IN JUNE WHEN CALLAGHAN ANNOUNCED A FREE VOTE ON THE PRINCIPLE AS WELL AS THE SYSTEM OF SUCH ELECTIONS. THE TEMPEST BREWING BETWEEN THE GOVERNMENT AND ITS OWN LEFT WING OVER THE GOVERNMENT'S FINANCE BILL, WHICH FOLLOWED A GOVERNMENT DEFEAT IN COMMITTEE, WAS APPARENTLY RESOLVED IN A MEETING THE PRIME MINISTER HELD WITH LABOR MPS IN WHICH HE EMPHASIZED AGAIN THE GOVERNMENT'S INTENTION TO SOLDIER ON AND THREATENED TO CALL AN ELECTION IN ORDER TO QUELL INTRA-PARTY DISSENT. (HOWEVER, THE GOVERNMENT HAS STILL TO DECIDE WHETHER TO ACCEPT OR REJECT ITS DEFEAT IN COMMITTEE IN THE FINAL BILL.) LABOR'S NATIONAL EXECUTIVE COMMITTEE BACKED AWAY FROM A POSSIBLE CONFRONTATION WITH THE GOVERNMENT OVER TONY BENN'S PROPOSED MID-TERM MANIFESTO. FINALLY, A

WEEKEND MEETING OF THE CABINET AT CHEQUERS REPORTEDLY
REMOVED ANY LINGERING RESERVATIONS ABOUT THE DESIRABILITY
OR NECESSITY OF CONTINUING THE PACT WITH THE LIBERALS
WITH FULL CABINET ENDORSEMENT OF THE GOVERNMENT'S
POLICIES. AT THE SAME TIME, LIBERAL MPS WERE THRASHING
OUT A SET OF AGREED PRINCIPLES WHICH COULD FORM THE BASIS
OF AN EXTENDED OR RENEWED LIB-LAB PACT IN THE NEXT
SESSION; THE AGREED PRINCIPLES APPEAR ACCEPTABLE IN THE
MAIN TO A LABOR GOVERNMENT INTENT ON HOLDING OFF A

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5784

INFO AMEMBASSY BONN

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GENERAL ELECTION IN THE NEAR FUTURE. FINALLY, THE TORIES ALSO HELPED CALLAGHAN BY PROVOKING A CONFRONTATION IN PARLIAMENT OVER THE PRICES BILL WHICH LED TO A MARATHON 32-HOUR SITTING AND GREATLY IMPROVED LABOR'S COHESION IN THE SHORT TERM.

4. ON PHASE III, FORMAL TALKS BETWEEN THE GOVERNMENT AND THE TUC WERE INCONCLUSIVE, ALTHOUGH THE GOVERNMENT SEEMS TO HAVE ACCEPTED THE TUC'S STRICTURES AGAINST A RIGID PHASE III PAY POLICY AND THE TUC GENERAL COUNCIL, IN ITS TURN, WILL COUNSEL TUC-AFFILIATED UNIONS TO ABIDE BY THE "TWELVE-MONTH" RULE IN PHASE II AGREEMENTS. THIS RULE MEANS THAT UNIONS SHOULD NOT SEEK TO REOPEN CURRENT AGREEMENTS UNTIL THEY HAVE RUN THEIR COURSE, EVEN IF THERE IS NO PHASE III--WHICH SHOULD THEREFORE ACT AS A BRAKING MECHANISM IN RETARDING ANY HEAD-LONG RUSH INTO A WAGES EXPLOSION AFTER JULY 31. THE GOVERNMENT IS, OF COURSE, CONTINUING ITS EFFORTS TO SECURE A MEANINGFUL PHASE III AGREEMENT, BUT THE ODDS AGAINST SUCH AN OUTCOME ARE GREAT.

5. ECONOMIC INDICATORS PUBLISHED IN JUNE SHOWED MODEST REDUCTIONS IN MONTHLY WHOLESALE AND CONSUMER PRICE INCREASES AS WELL AS USSMALL SURPLUS IN THE CURRENT ACCOUNT (FIGURES THROUGH MAY). THERE WERE, HOWEVER, FEW INDICATORS OF MAJOR IMPROVEMENT IN THE OVERALL LEVEL OF ECONOMIC ACTIVITY NOW LITTLE CHANGED OVER THE PAST SIX MONTHS. UNEMPLOYMENT ROSE AGAIN IN JUNE TO A POST-WAR RECORD LEVEL EVEN APART FROM THE SEASONAL INCREASE OF SCHOOL-LEAVERS.

6. THE GRUNWICK AFFAIR CAPTURED MEDIA ATTENTION WITH UGLY SCENES OF MASSED PICKETS AND A FEW ARRESTS, AS WELL

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AS CHARGES OF POLICE PROVOCATION, AND TRIGGERED AN EMERGENCY DEBATE IN THE COMMONS. THE UNDERLYING PROBLEMS OF UNION RECOGNITION AND GOOD FAITH BARGAINING, WHICH ARE HIGHLIGHTED BY THE DISPUTE, FLOW FROM AMBIGUITIES IN LABOR LAW AND ARE NOT SUBJECT TO SHORT-TERM SOLUTION.

AFTER EFFORTS TO MEDIATE THE DISPUTE FAILED, THE GOVERN-
MENT SET UP A COURT OF INQUIRY TO INVESTIGATE THE
COMPLEX SITUATION, HOPEFULLY DEFUSE THE IMMEDIATE TENSION
AT THE PLANT, AND REMOVE THE CRISIS, FOR THE MOMENT, FROM

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CENTER STAGE.

7. THE MONTH ENDED WITH THE RETURN TO LONDON OF EUROPEAN CHIEFS FOR ONE OF THE TRIANNUAL EC SUMMITS ON THE LAST TWO DAYS OF THE BRITISH PRESIDENCY. THE MEETING HAMMERED OUT EC AGREEMENT ON A MIDDLE EAST POLICY (INCLUDING A HOMELAND FOR THE PALESTINIANS) AND DISCUSSION OF A WIDE RANGE OF OTHER ECONOMIC AND POLITICAL PROBLEMS. BRITAIN'S RATHER INEPT EFFORTS TO HAVE THE JOINT EUROPEAN TORUS (JET) ENERGY PROJECT SITED IN THE UK FOUND BRITAIN ISOLATED WITHIN THE COMMUNITY; THE RESBT IS THE POST-PONEMENT OF ANY OVERALL DECISION ON THE PROJECT.

8. THE LABOR GOVERNMENT KEPT ITS COOL DURING JUNE UNDER THE THREATENING CLOUDS AND IN THE FACE OF A HEAVY LOAD OF INTERNATIONAL MEETINGS, INTRA-PARTY DISPUTES, LACK OF MEASURABLE PROGRESS ON PHASE III, CONTINUING SLUGGISHNESS IN THE ECONOMY, AND A PROTRACTED WRANGLE IN PARLIAMENT OVER PRICES. THE GOVERNMENT CAN TAKE A LITTLE PRIDE IN COMPLETION OF AN ACTIVE EC PRESIDENCY AND MORE RELIEF THAT IT'S NOW OVER. BY THE END OF JUNE, THE GOVERNMENT SEEMED MORE CONFIDENT AND, FOR THE MOMENT, MORE UNITED; PROSPECTS FOR HOLDING ON AND AVOIDING AN EARLY ELECTION SEEMED STRONGER WITH THE LIBERALS APPARENTLY WILLING TO RENEW THE PACT.

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Message Attributes

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